

STRATEGIC FOCUS

Moving Forward with the 2018 Mid-term Management Plan

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In fiscal 2016, Hitachi, Ltd. cleared its targets for revenues, adjusted operating income, EBIT, and net income attributable to Hitachi, Ltd. stockholders.*1 The foundation is now clearly in place for further growth into the future.

Building on the approaches put in place during fiscal 2016, the company will now pursue further development of its Social Innovation Business, aiming to become an Innovation Partner for the IoT Era.

1 Major Fiscal 2016 Results

Promoting the Empowerment of Growth Businesses

Launched Lumada IoT platform and reinforced in-house implementation structure.
Strengthened on a priority basis four focus business domains.

Focus Business Domains	Business		Business Segments
Power/Energy	Power	<ul style="list-style-type: none"> Developed and started trial operation of 5.2 MW offshore wind power generation system. Accelerated the expansion of wind power business in Japan and Asia. 	Social Infrastructure & Industrial Systems
		<ul style="list-style-type: none"> Made smooth progress in integration of Hitachi Rail Italy S.p.A. and continued collaboration with Ansaldo STS S.p.A. Implemented measures to achieve over 10% annual growth in global railway business. 	
Urban	Building	<ul style="list-style-type: none"> Completed development of standardized elevators for Asia and the Middle East. Expanded business by strengthening sales and maintenance bases in Asia, the Middle East, and Europe. 	Social Infrastructure & Industrial Systems
	Finance/Public/Healthcare	Financial	<ul style="list-style-type: none"> Utilized blockchain and other emerging technologies in Asia market. Achieved steady growth of SI financial sector business in Japan.

Selection and Concentration of Hitachi Businesses

Reviewed the capitalization policies of such Group companies as Hitachi Transport System, Ltd., Hitachi Capital Corporation, and Hitachi Koki Co., Ltd.

Business Structure Reforms

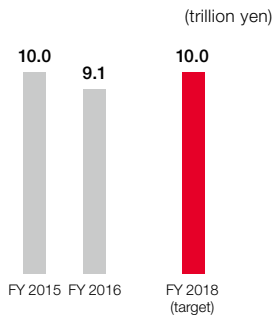
Implemented of business structure reforms, such as closure and streamlining of low profitability businesses (e.g., communication products, overseas plant EPC*2), resulting in an improvement of approximately 40 billion yen in operating income over fiscal 2015.

*1 Targets set for the first phase of the 2018 Mid-term Management Plan, with results measured as of May 2016.

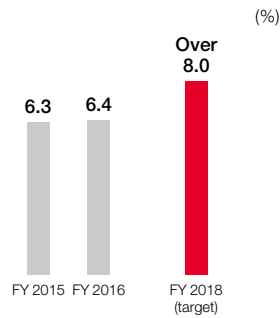
*2 EPC: Engineering, procurement, and construction.

2 Making Steady Progress

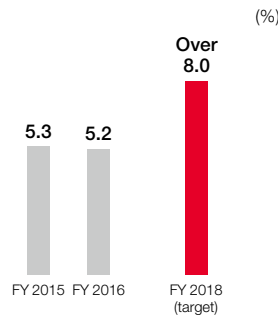
Revenues



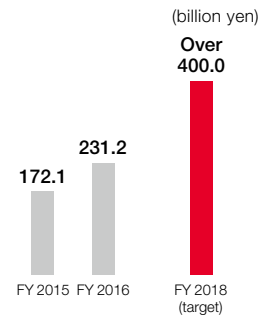
Adjusted Operating Income Ratio



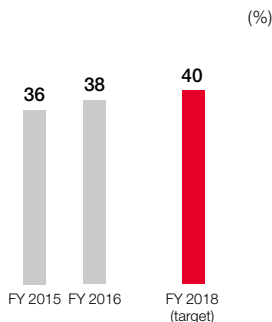
EBIT Ratio



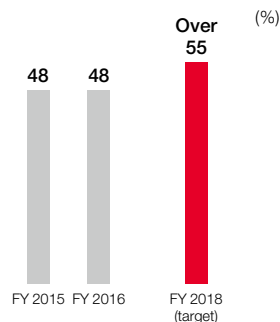
Net Income Attributable to Hitachi, Ltd. Stockholders



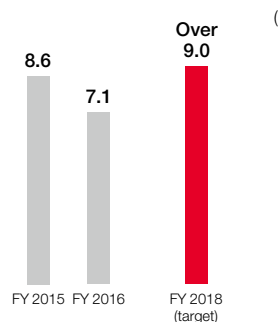
Our Growing Front Business (Front Revenue Ratio)



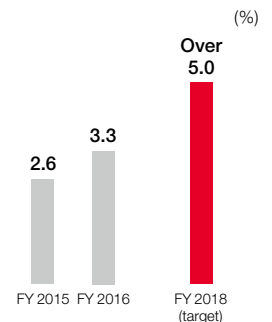
Global Business Expansion (Overseas Revenue Ratio)



Stronger Cash Generation (Operating Cash-Flow Margin)*1



Asset Profitability Improvement (ROA)*1 *2



Annual Exchange Rates

		FY 2015	FY 2016	FY 2018 (forecast)
Average Annual Rate	JPY/USD	120	108	110
	JPY/EUR	133	119	120

*1 Figures for Manufacturing, Services and Others.

*2 Return on assets (ROA) = [Net income] ÷ [Total assets (average from end of previous to end of current fiscal year)] × 100.

3 Growth Strategies for Fiscal 2018 in Four Focus Business Domains

Front

Revenues

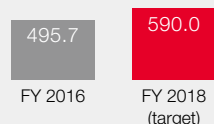
3,521.3 billion yen ▶ 4,000.0 billion yen
(FY 2016 result) (FY 2018 target)

Adjusted operating income ratio

8%
(FY 2018 target)

Power/Energy

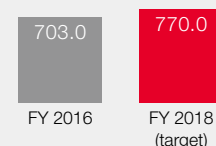
Revenues (billion yen)



We are addressing electric power reforms in Japan, including retail market liberalization and unbundling of power generation and transmission, as well as the distributed power and renewable energy fields.

Industry/Distribution/Water

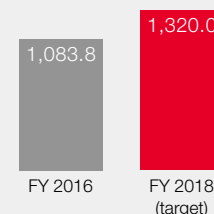
Revenues (billion yen)



We are engaging in plant optimization and rebuilding supply chains using digital technologies.

Urban

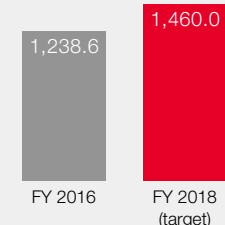
Revenues (billion yen)



We aim to enhance quality of life by putting digital technologies to use to achieve communities with convenient, comfortable, and eco-friendly lifestyles.

Finance/Public/Healthcare

Revenues (billion yen)



We pursue growth through FinTech and solutions ready for Japan's "My Number" taxpayer ID system.

Platform/Products

Revenues (billion yen)

6,714.5 ▶ 7,160.0
(FY 2016 result) (FY 2018 target)

Adjusted operating income ratio

8%
(FY 2018 target)

4 Strengthening the Front

To accelerate the global expansion of its Social Innovation Business, Hitachi is strengthening the Front functions of its operations, the point where it provides value directly to customers.

- **Establishment of the global front**

Establish “global front” management organization launched in April 2017 to accelerate global expansion of Social Innovation Business.

- **New employment**

Consultants, system engineers, maintenance personnel, other resources newly employed (1,000 in Japan, 1,000 overseas in fiscal 2016).

- **Human resource training**

Global front staffing increased, staff development accelerated through building of global certification system.

- **M&A to strengthen Front functions**

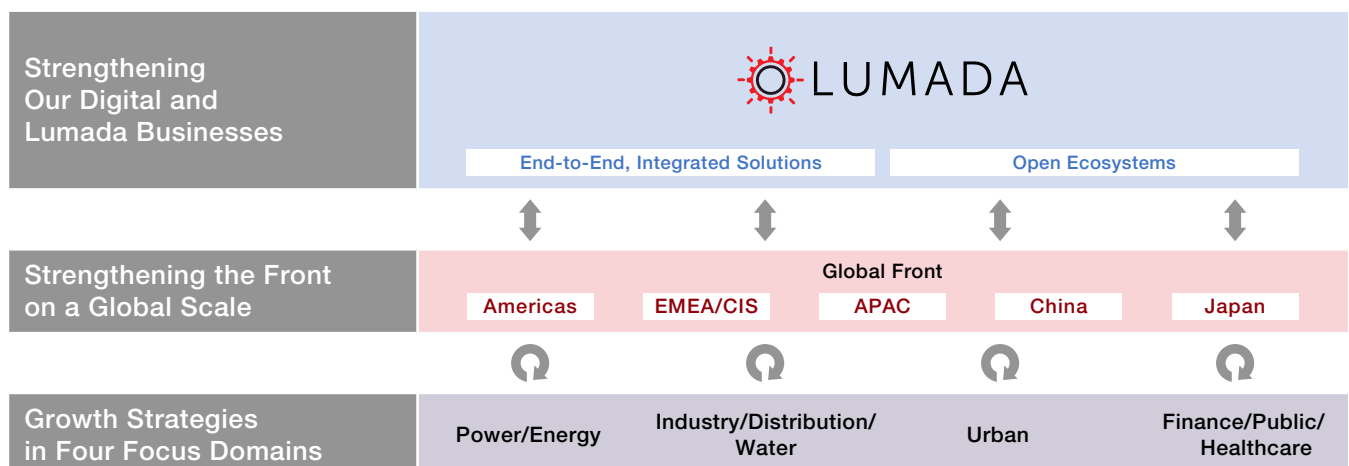
Business growth through M&As to strengthen Front functions, targeting customer channels, maintenance sites, product business, and other areas.

Investments to Strengthen Front			
Italy	Ansaldo STS	November 2015	Turnkey business entry, expansion of global business
Turkey	Kurt & Kurt	April 2017	Medical device sales expansion in Europe, Middle East
USA	Sullair	July 2017	Acquisition of US customer channels and business expansion
UK	Temple Lifts	April 2017	Elevator maintenance business entry in Europe

5 Further Strengthening Lumada

Hitachi is making full use of OT (operational technology) and IT as it builds out its Social Innovation Business to provide advanced infrastructural systems on a global scale.

In May 2016, Hitachi began offering Lumada, its IoT platform that helps drive the Social Innovation Business, to customers.

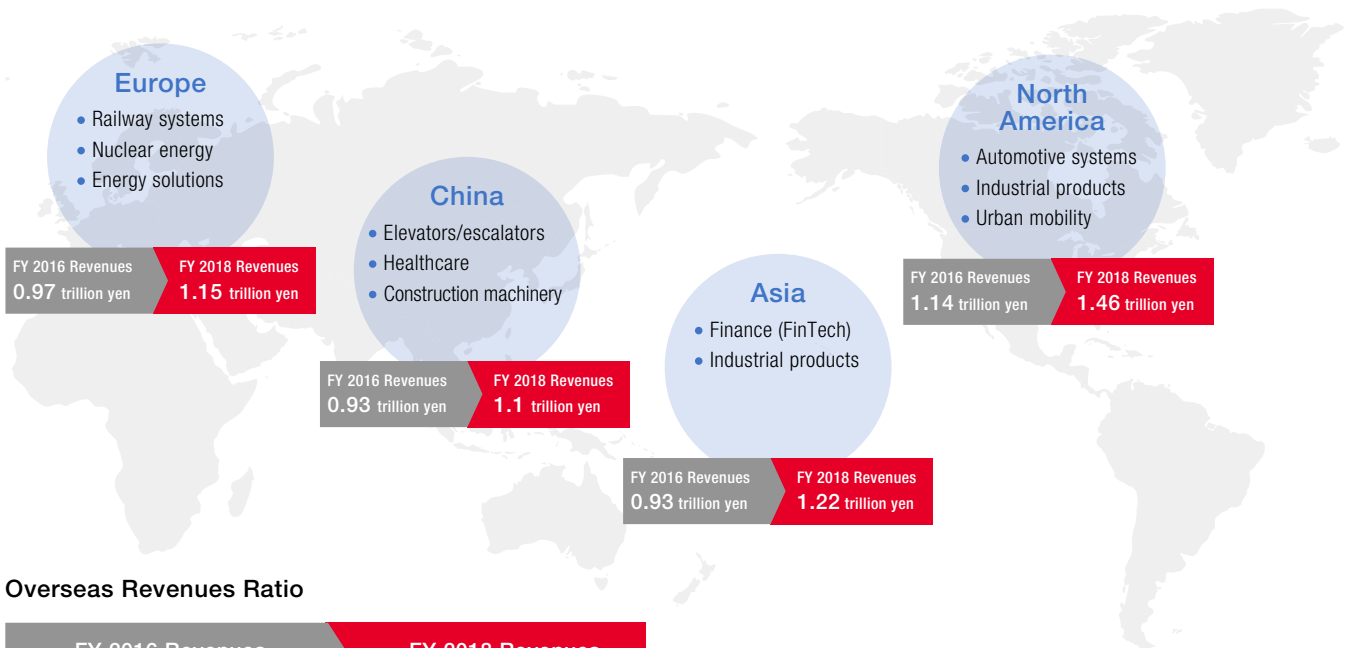


Lumada represents a distillation of the deep OT- and IT-driven solutions that Hitachi has brought to market over many years.

Through collaborative creation with customers, we provide them with end-to-end solutions covering everything from analysis of management issues to buildout planning, value verification, rollout of equipment and systems, and operation and maintenance.

Furthermore, by building a track record of use cases with wide applicability, both from internal company cases and from collaborative creation cases launched with customers and partner companies, we are accelerating our provision of value to customers.

6 Global Business Expansion



Overseas Revenues Ratio



7 Deepening Our Engagement in the Social Innovation Business

Contributing to the Achievement of the SDGs* Through the Social Innovation Business

Hitachi will contribute to the achievement of the United Nations Sustainable Development Goals (SDGs), which came into force in January 2016, through its Social Innovation Business by broadening our perspective on common global issues and gaining a deeper awareness of those issues.

Initiatives have already begun, as various business units (BUs) have launched workshops aimed at enhancing understanding of the SDGs. [26-27 Value Creation Case 03: Water](#)

As a company engaged in many different businesses, we are in a good position to make a broad contribution to reaching the SDGs, and we plan henceforth to undertake concrete deliberations on specific initiatives.

* Adopted by the United Nations in September 2015, the SDGs consist of 17 goals and 169 targets.

